

## TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	2
EXECUTIVE SUMMARY	1-2
DISTRICT RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
<b>Cash Receipts</b>	
Daily Mail Record of Cash Receipts	2
<b>Cash Disbursements</b>	2
<b>Safe and Controlled Documents</b>	
Obsolete Controlled Documents	3
<b>Client Processing</b>	3
<b>CIS/ASSIST</b>	
CIS Security Agreements	3-4
Security Officers Log Report	4
CIS Status Codes	4-5
<b>Payroll and Timekeeping</b>	
Payroll Record and Retention	5
HR-332B Reconciliation	5-6
<b>Procurement Card</b>	6

## **INTRODUCTION**

The Office of Internal Audit performed an audit of Oakman/Grand River District, Wayne County FIA for the period October 1, 2000 through February 15, 2001. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Oakman/Grand River District had 144 full time equated positions (FTE's) at the time of our review. Oakman/Grand River District provided assistance to an average 5,898 recipients per month during FY 1999, with total assistance payments of \$9,692,335 during that year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Oakman/Grand River District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

Safe and Controlled Documents

CIS/ASSIST

Payroll and Timekeeping

Procurement Card

Client Processing

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Oakman/Grand River District internal controls need improvement in order to provide management with reasonable assurance that assets

are safeguarded and transactions are executed in accordance with management's authorization.

### **DISTRICT RESPONSE**

The management of the Oakman/Grand River District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated March 14, 2001 that they are in general agreement with the report.

### **FINDINGS AND RECOMMENDATIONS**

#### **Cash Receipts**

##### **Daily Mail Record of Cash Receipts**

1. The Oakman/Grand River District did not use the Daily Mail Record of Cash Receipts (FIA-4729) for all negotiables received for deposit. Instead the District used the Record and Disposition of Checks/Warrants (FIA-61) to record all negotiables received in the mail. Accounting Manual Item 431 states that a FIA-4729 is to be used to record negotiables received for deposit.

WE RECOMMEND that the Oakman/Grand River District record all negotiables for deposit on the FIA-4729.

NOTE: Corrective action was taken while the auditor was on site

#### **Cash Disbursements**

No findings in this area

## **Safe and Controlled Documents**

### **Obsolete Controlled Documents**

2. The Oakman/Grand River District had obsolete Official Field Receipts (FIA-3543) and Purchase Orders (FIA-2083) on hand, which they were not controlling. Twenty-five official field receipts and 100 purchase orders were missing when a physical inventory was performed. The discrepancy in the purchase orders was caused by an addition error on the Controlled Document Log (FIA-4070). Accounting Manual Item 403 requires that these documents be controlled, and gives instructions for the destruction of obsolete forms. Keeping obsolete forms on hand and not controlling them increases the risk of these forms being used inappropriately.

WE RECOMMEND that the Oakman/Grand River District destroy the obsolete FIA-3543's and the FIA-2083's in accordance with the instructions in Accounting Manual Item 403.

NOTE: Corrective action was taken while the auditor was on site. All obsolete controlled documents have been destroyed.

## **Client Processing**

No findings in this area.

## **CIS/ASSIST**

### **CIS Security Agreements**

3. Oakman/Grand River District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for 12 employees who access the Client Information System (CIS), as required by L-Letter 97-063. For three of the 144

agreements we reviewed, the status code indicated on the FIA-3974A did not agree with the current status code listed on the Operator Identification Report (PF-011).

WE RECOMMEND that Oakman/Grand River District have all employees who have access to the CIS system complete a CIS Security Agreement, and ensure that the status codes on the Security Agreements are consistent with the status codes on the PF-011 report.

NOTE: Corrective action was taken. All employees have a current CIS Security Agreement on file, and all status codes are consistent with the PF-011 report.

#### Security Officers Log Report (PD-180)

4. Oakman/Grand River District did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate.

WE RECOMMEND that Oakman/Grand River District have an independent person reconcile the PD-180 report to revised Security Agreements.

NOTE: The District Analyst, who is not the CIS Security Coordinator, is now reconciling the PD-180 report.

#### CIS Status Codes

5. Seven fiscal and general clerks at the Oakman/Grand River District had an FLM status code on the Client Information System (CIS). This status code allows the

clerks to make changes to client cases and then process payments to those same cases.

WE RECOMMEND that Oakman/Grand River District change the fiscal clerks to inquiry only status on CIS.

NOTE: Corrective action was taken while the auditor was on site.

### **Payroll and Timekeeping**

#### **Payroll Record and Retention**

6. The Oakman/Grand River District timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that Oakman/Grand River District have the certifier, or someone other than the timekeeper, retain the HR-332A.

NOTE: The certified copies of the HR-332A are now being stored in the Fiscal area.

#### **HR-332B Reconciliation**

7. The Oakman/Grand River District did not reconcile the Employees' Time and Attendance reports to the HR-332B report. This reconciliation is necessary to ensure the accuracy of the time entered into the Data Collection and Distribution System (DCDS).

WE RECOMMEND that the Oakman/Grand River District reconcile the HR-332B report to the Employees' time and attendance reports.

NOTE: The District informed us that a person independent of the timekeeping process will reconcile the turnaround report HR-332B.

**Procurement Card**

No findings in this area.